WESTBURNE INTERNATIONAL INDUSTRIES LTD.

Annual Report
1984

Contents

Highlights of Fiscal 1984

July 1984

Operating Revenues
Westburne's revenues increased. Sales were 1.15 billion, up from last year's $1.08 billion.

Net Earnings (Loss)
Net earnings were $8.8 million compared with restated loss of $1.9 million.

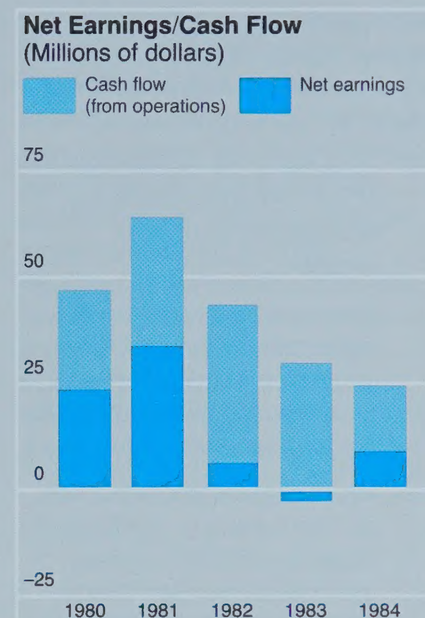
Earnings (Loss) per Share
Per share earnings were $0.84 versus restated loss of ($0.18) last year.

Cash Flow
Cash flow was $24.7 million compared with $28.9 million the year before.

Working Capital Maintained
Working capital was $147.5 million, up from $142.5 million last year.

Debt-to-Equity Ratio
Long-term debt at $132.5 million compared with $135.3 million last year. Long-term debt as a ratio to shareholders' equity was 0.60 to 1.

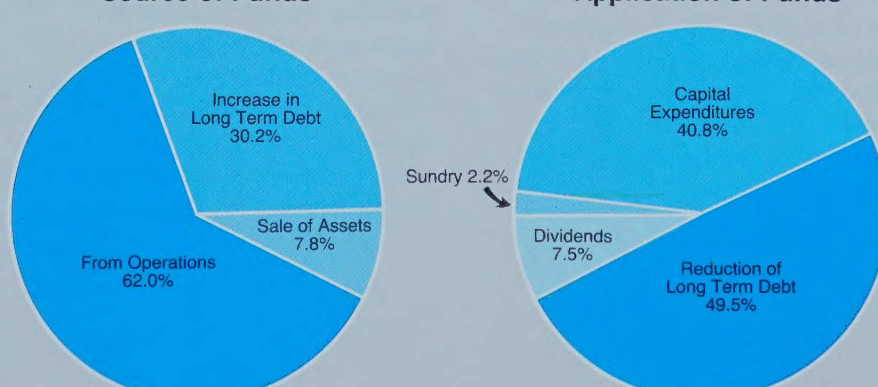
Equity per Share
Equity per share increased to $21.03 from last year's restated $20.44.



March 31	Thousands of Canadian Dollars except per share data 1984	1983 (Restated)
Operating Revenues	**$1,152,120**	$1,077,661
Net Earnings (Loss) applicable to Common Shares	**8,822**	(1,913)
Earnings (Loss) per Common Share	**0.84**	(0.18)
Cash Flow	**24,667**	28,929
Long-Term Debt	**132,489**	135,315
Shareholders' Equity	**219,899**	213,734
Equity per Common Share	**21.03**	20.44

Changes in Financial Position
(as a percentage)

Source of Funds **Application of Funds**



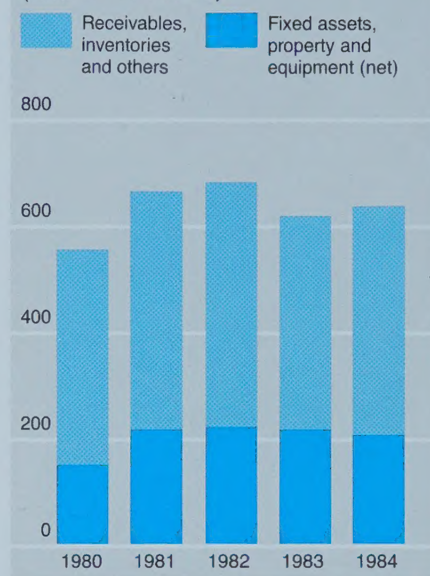
To Our Shareholders

Westburne's corporate strategy in the year ending March 31, 1984 was concentrated in the following areas:

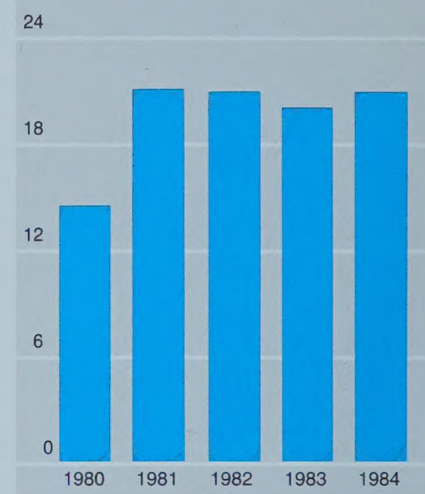
- — increasing the earning power of our Canadian plumbing and electrical supplies division;
- — increasing our oil and gas reserves and the cash flow generated through a sound exploration and development program; and
- — minimizing losses in our two problem areas — the United States plumbing supplies division and our worldwide contract drilling operations.

Our program produced improved earnings in the Canadian construction equipment and supplies division and the oil and gas division but these achievements were offset by losses in our two problem areas. Revenues were $1,152.1 million compared with $1,077.7 million last year and net earnings were $8.8 million. This resulted in per share earnings of 84 cents for fiscal 1984 compared with 83 cents per share originally reported for the 1983 fiscal year. A change in accounting policy with respect to our oil and gas exploration costs in prior years required the restating of our 1983 operating results to include a non-cash charge of $10.6 million. This changed our previously reported 1983 earnings from $8.7 million to a loss of $1.9 million and 1983 earnings per share of 83 cents into a loss per share of 18 cents.

Total Assets
(Millions of dollars)



Common Shareholders' Equity (per share) (Dollars)



Our construction equipment and supplies division contributed a strong performance despite rising interest rates during the last half of fiscal 1984. Revenues reached $1,008.2 million, 10.3 percent higher than the previous year's revenues of $913.6 million. Increased pre-tax earnings in Canada of $25.5 million, compared with $9.8 million for fiscal 1983, reflect improved marketing strategies and cost control programs implemented during the past three years. We anticipate that this division will continue to benefit from these measures and will further expand its share of the available market. Despite an aggressive sales program conducted during fiscal 1984, our United States plumbing supply division operated at a pre-tax loss of $9.1 million compared with a pre-tax loss of $8.6 million in fiscal 1983. Record volumes were achieved but at the expense of lower profit margins. Further strategies to revitalize this division will be implemented in the coming year and we are confident that this important market will produce more positive results.

In fiscal 1984, Westburne's petroleum industry services and supplies division had revenues of $119.0 million compared with $143.2 million in 1983. A loss of $7.9 million before income tax recoveries, was incurred in 1984 which compares with earnings before income taxes of $2.6 million in 1983. The oilfield supplies segment of this division returned to profitability in fiscal 1984 on a 17% increase in revenues. Increased activity in the petroleum industry in general and continued tight control of costs should enable this segment to improve its revenues and earnings in the current year.

Westburne's contract drilling operations continued to suffer throughout the year from intensely competitive pricing. This resulted from reduced demand for drilling services due to the natural gas surplus in the United States markets, over production of crude oil on a worldwide basis, lower demand for refined products and the severe oversupply of available equipment that has persisted since the extraordinary build-up of rigs in 1980 and 1981. Rig utilization rates improved in late 1983 and early 1984 but a sustained recovery in demand for drilling services is necessary to bring rates to a more profitable level.

Recent events in the Middle East emphasize the security risk that certain areas of the industrialized world face by relying too heavily on oil production from this area. Concern about conflicts in the Middle East will probably produce some increase in rig activity but unless there is a complete breakdown in oil exports from this region, the timing of a return to profitability for the drilling industry is difficult to forecast.

Westburne's oil and gas division concentrated its activity during fiscal 1984 in Western Canada but also conducted development drilling on a number of United States properties. Our total oil and gas reserves are now estimated at 7.2 million barrels of oil and 51.4 billion cubic feet of natural gas compared with 6.9 million barrels of oil and 46.8 billion cubic feet of natural gas in 1983. Pre-tax earnings increased substantially to $5.9 million in fiscal 1984 from $2.5 million before restatement of 1983 earnings. Cash flow for this division was $11.8 million compared with $11.0 in the previous year.

A number of positive factors are beginning to develop in the oil and gas industry. Among them is a growing awareness that the surplus of natural gas in the United States has been overstated. The so-called "gas bubble" appears to be diminished which could lead to improved demand for Canadian gas within the next two years. Shipments of oil from the Persian Gulf have also been disrupted which has caused a reduction in world petroleum inventories.

In Canada, the Federal Government and the Provincial Governments of Alberta and Saskatchewan have introduced a number of incentives for the petroleum industry through changes in royalties and taxation. In addition, more oil now qualifies for the New Oil Reference Price. We anticipate that these positive developments, combined with a number of excellent exploration prospects, will produce another strong performance in our oil and gas division during the coming year.

Our plan for fiscal 1985 is to increase earnings through expansion of our exploration and development programs, through improvement in the United States operations of the construction equipment and supplies division while maintaining our high standard of service to our drilling and oilfield supplies customers around the world. With the full support of our hard working and enthusiastic staff we are confident these goals will be met.

J. A. SCRYMGEOUR
Chairman of the Board

June 15, 1984

Oil and Gas Exploration and Production

Westburne's oil and gas division experienced a year of solid improvement as it expanded its search for additional oil and gas reserves in North America during fiscal 1984. Exploration and subsequent development programs, particularly in Western Canada, increased production and resulted in record cash flow, increased earnings and reserve volumes.

Revenues for the year ending March 31, 1984 were $27.6 million, an increase of almost 8 percent over $25.6 million for fiscal 1983. Earnings, before income tax and minority interest, rose to $5.9 million in 1984 from a restated loss of $8.2 million in 1983. The restatement of the prior year's earnings is the result of a retroactive change in accounting for our oil and gas activities from the worldwide full cost method to the more generally accepted country-by-country method. The 1983 earnings were charged with $10.6 million and changed 1983 earnings, pre-tax and minority interest from $2.4 million to a loss of $8.2 million.

Acreage

As at March 31, 1984 Westburne owned interests in the following acreage:

	Developed Acreage		Undeveloped Acreage	
	Gross Acres	Net Acres	Gross Acres	Net Acres
Canada	569,786	67,303	348,149	74,060
United States	40,806	10,815	176,286	41,647
Other	—	—	2,816,079	92,816
TOTAL	610,592	78,118	3,340,514	208,523

Reserves (proven and probable)

	March 31,			
	Crude Oil and Natural Gas Liquids (Thousands of Barrels)		Natural Gas (Millions of Cubic Feet)	
	1984	1983	1984	1983
Canada	6,827	6,679	46,130	42,517
United States	385	267	5,273	4,345
Total	7,212	6,946	51,403	46,862

The division participated in 74 wells during the year resulting in 43 oil wells, 10 gas wells and 21 dry holes for a success ratio of 71.6 percent. Total oil production (before royalties) averaged 2,103 barrels of oil and liquids per day or 3.4 percent more than 1983 production levels of 2,034 barrels per day.

Production of natural gas, which was expected to be greater for the year, was actually less due to the surplus gas situation in United States markets. Sales amounted to 8,977 mcf per day as compared to 10,829 mcf per day for the previous year.

Reserves as of March 31, 1984 were 7.2 million barrels of crude oil and 51.4 billion cubic feet of natural gas. The future net revenue calculated by an independent consulting firm is $398.9 million and present net worth values are estimated to be $122.8 million compared with $89.2 million in 1983 when discounted at 12 percent and $102.2 million compared with $72.3 million in 1983 when discounted at 15 percent.

The Canadian energy industry in 1983 was characterized by the contrast between oil and gas activity. Conventional oil production increased and development prospects showed marked improvement while natural gas production and development were diminished by the short-term gas surplus and uncertain markets in the United States.

Westburne's oil and gas activity, concentrated in Western Canada during fiscal 1984, resulted in record cash flow, increased earnings and reserve volumes.

Important steps were taken by the Federal Government and the Provincial Governments of Alberta and Saskatchewan in 1983 to encourage exploration activity in Canada. Categories of oil eligible for the New Oil Reference Price (NORP), which approximates world oil prices, were broadened while a number of incentive programs and changes to royalty and taxation regimes were introduced.

Westburne's activity was focused primarily in Western Canada on development, either oil production or gas fields, having early market potential and qualifying for NORP revenues. These circumstances led to the development of additional oil production at Coleville and Battrum in Saskatchewan and at Lochend and Grande Prairie, Alberta.

Our Canadian development programs in fiscal 1985 will concentrate on oil-prone prospects in Alberta and Saskatchewan. Investment for tertiary and enhanced oil recovery in these provinces is also underway to establish a base in heavy oil production.

With the continuing surplus of natural gas, our United States drilling program will also focus on oil prospects. In both Canada and the United States, drilling for natural gas will be initiated on a more substantial level as market potential develops.

Coleville, Saskatchewan

During fiscal 1984 Westburne continued to develop this heavy oil discovery in west central Saskatchewan. To date, 16 wells have been completed, all of which have encountered oil pay in the Bakken sand. Of these 16 wells, five have encountered secondary oil pay in the McLaren zone and two have discovered a third oil horizon in the Basal Mannville. Average production from each of these wells is approximately 40 barrels of oil per day (BOPD). Gravity of the crude is 13° API.

Using a 5 percent primary recovery factor, reserves in the Bakken are estimated to be 1.1 million barrels per section. By implementing a secondary waterflood scheme in this area, recoverable reserves could be increased fourfold.

In the coming year, the Company anticipates drilling an additional 10 to 20 wells in the pool area. Westburne's interest in this area varies from 12.5 percent to 37.5 percent in 3,840 gross acres.

Lochend, Alberta

Since the drilling of the initial well in 1982, the Company has participated in 15 wells in this area, all of which have been completed as commercial oil producers. Light gravity crude is being obtained from the Cardium Sand in this area with production rates averaging 40-50 BOPD per well.

The Company maintains interests varying from 11 percent to 25 percent in 10,880 gross acres in this area. Activity for 1984-85 will see up to 10 additional wells drilled on acreage blocks already earned or committed to drilling.

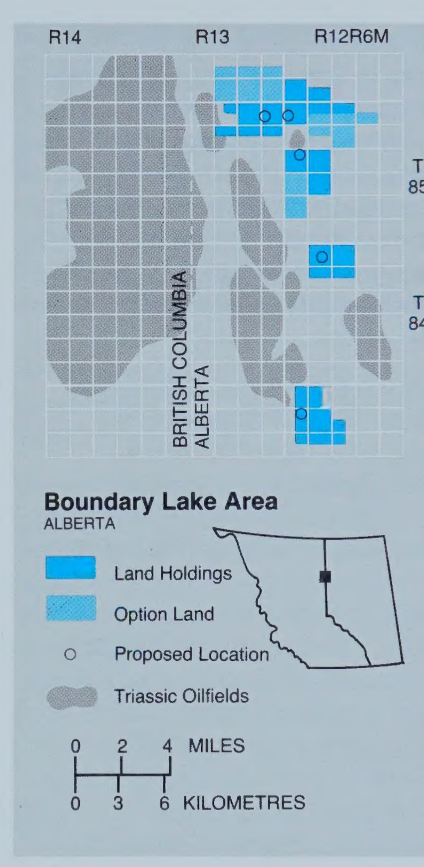
Boundary Lake, Alberta

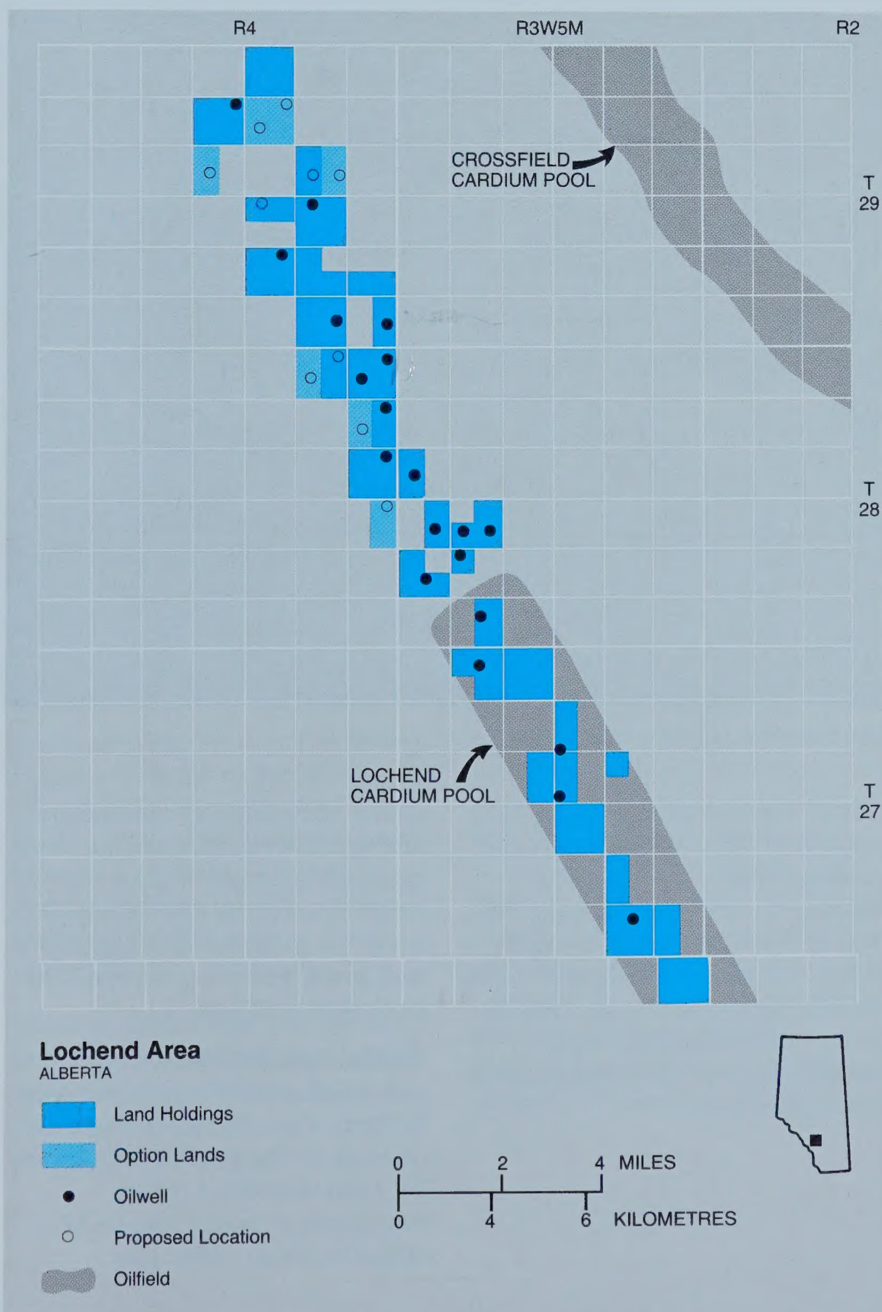
Westburne is participating in a five well exploratory commitment to earn acreage in this area of northwest Alberta. The program will evaluate four distinct prospects and earn the Company an interest in 10,880 acres with options on an additional 6,080 acres. These exploratory wells will evaluate oil and natural gas potential in Triassic and Mississippian age horizons.

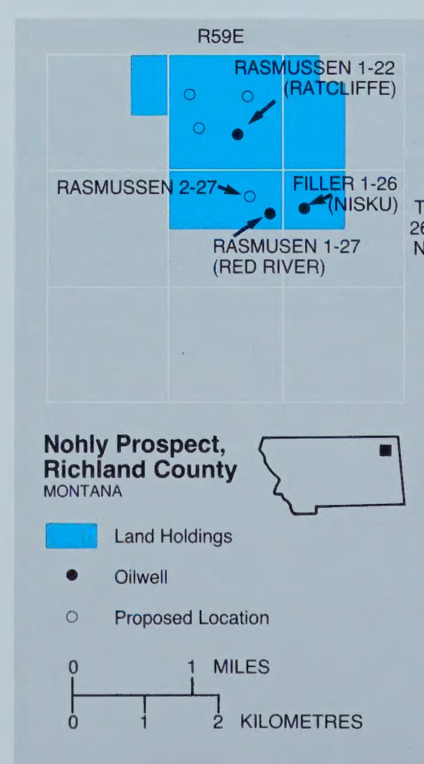
Nohly Prospect, Richland County, Montana

Westburne has interests varying from 14.6 percent to 25 percent in this multizone oil play in northeast Montana. The Company has participated in three oilwells in this area, one having triple zone potential, one dual zone and the other a single zone producer. The Ordovician Red River, Devonian Nisku and Mississippian Ratcliffe zones produce light crude in this area. Initial production rates in the wells drilled ranged from 137 to 272 BOPD.

The Company plans to participate in at least three more wells in this pool during the 1984-85 fiscal year.







Contract Drilling Services

The oil and gas contract drilling industry continued to face highly competitive market conditions during fiscal 1984. Low demand for drilling services together with the oversupply of available equipment resulted in driving contract prices below profitable levels.

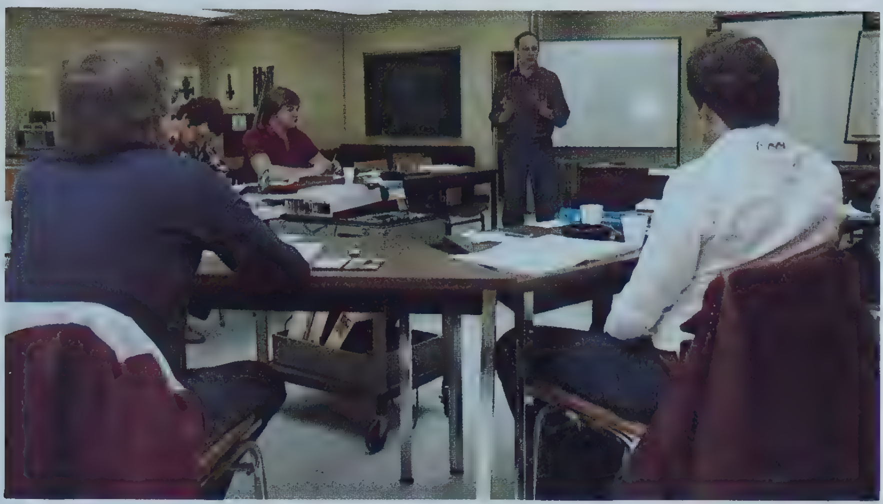
During the first two quarters of fiscal 1984, Westburne's rig utilization rates in Canada remained at the depressed levels of the previous year but improved in the final two quarters with higher levels of activity continuing through April and May of the current fiscal year. This upturn has not been reflected in higher contract prices and is not likely to do so until demand for contract drilling services improves substantially. There are now a number of indications that the Canadian petroleum industry will be committing more exploration funds to the Western provinces in the coming year. Important oil discoveries in Alberta during the last year, in areas not previously considered oil prone, are proof that there are still numerous opportunities for success. We anticipate an accelerating demand for drilling services in Western Canada.

Rig operating in Western Canada.

In the United States, competition was particularly keen for the deep drilling market and rather than operate four of our large capacity rigs at a loss, we chose to stack them in Oklahoma. Utilization rates for the remaining 11 rigs, located in the Rocky Mountain region, compared favourably with industry averages for the area.

Encouraging signs of increased drilling activity are noticeable in the international scene where Westburne has its rigs deployed in a number of locations. Extended lead times, however, are required for project start-ups.

Westburne's contract drilling operations posted a year end loss for fiscal 1984. Gross operating revenue for the year ending March 31, 1984 was $54.4 million resulting in a pre-tax loss of $8.2 million for fiscal 1984. This



A number of support programs have been developed to augment Westburne's drilling services. These programs include classroom instruction in related areas of drilling technology as well as on-site training.

compares with our previous year's revenue of $88.0 million and pre-tax earnings of $3.2 million. Losses were held to a minimum through a concerted effort to reduce costs and promote greater efficiency throughout our operations.

Working capital was maintained and a positive cash flow of $1.8 million was achieved by this division.

Westburne's fleet of 57 drilling rigs includes 24 rigs in Canada, 15 in the United States with a further 18 deployed internationally in various locations. This inventory of equipment encompasses a wide variety of specialized and conventional land drilling equipment covering a full range of depth capacities.

Our equipment inventory is augmented by a number of support services. They include management and labour contracts, technical services agreements, supervisory and operating personnel and training programs to provide instruction in related areas of drilling technology. In the coming year, we will continue to diversify our services and marketing efforts to create new opportunities for this division.

Oilfield Equipment and Supplies

Increased activity by the Canadian petroleum industry in the search for oil and gas and the increase in oil production contributed to an improved performance by Westburne's oilfield equipment and supplies business during fiscal 1984. A combination of cost control measures and an increase in revenues of 17 percent returned these operations to profitability.

Our oilfield equipment and supplies segment operates from eight locations across Canada and from one U.S. branch in Houston, Texas which services the international market. Our operations in Saskatchewan produced very positive results while in Alberta, there was also improvement due to the increased emphasis on oil plays. British Columbia and the eastcoast areas, however, did not achieve anticipated levels of performance and international activity was adversely affected during the year.

We expect less competitive pressure on margins in fiscal 1985 as surplus inventories in the petroleum industry now appear to be depleted. With an anticipated increase in activity, these operations should soon return to a more normal level of revenues and earnings.

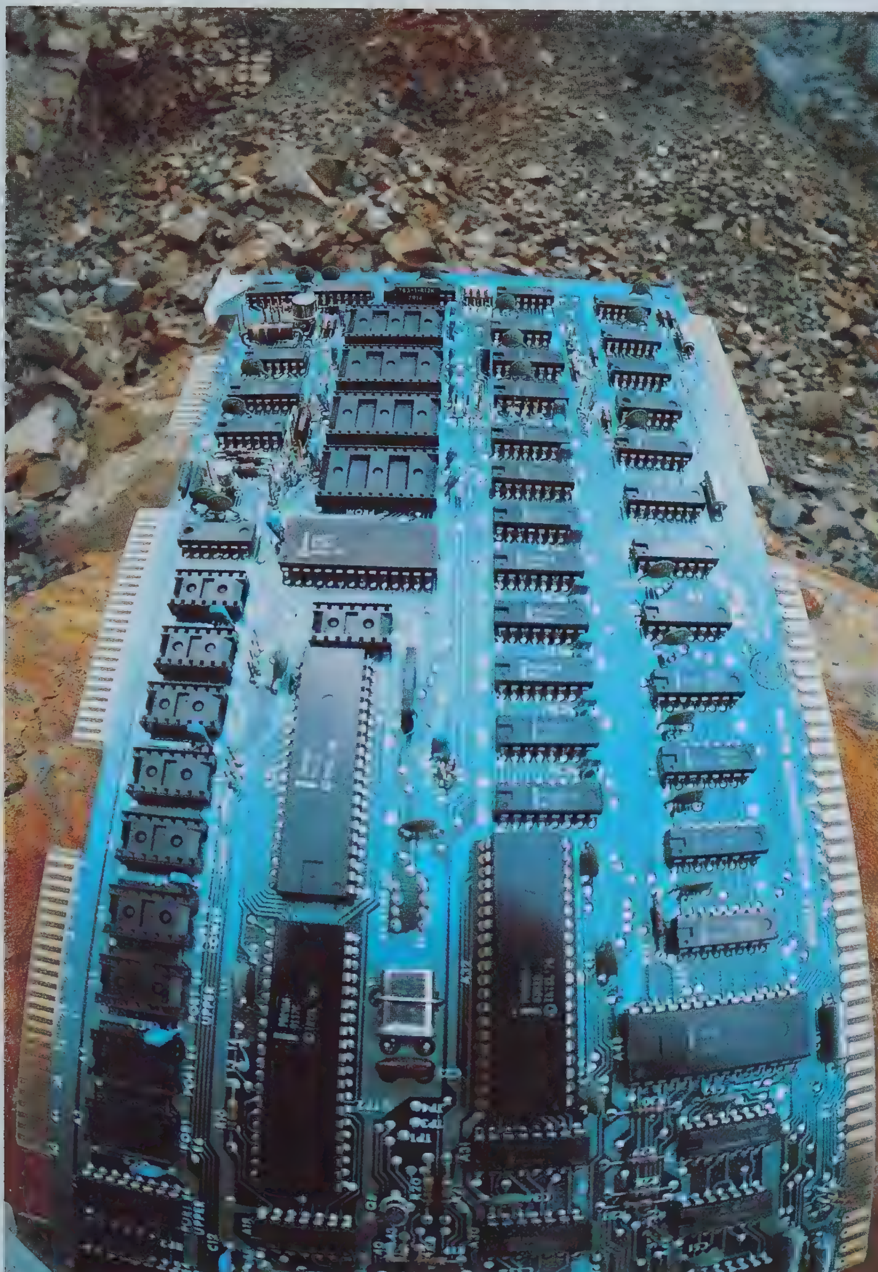
Construction Equipment and Supplies

Fiscal 1984 was an excellent year for the Canadian operations of our construction equipment and supplies division. Despite the lingering effects of the recession in Alberta and British Columbia, revenues in Canada of $862.6 million were 9.7 percent higher than in the previous year and came close to matching the record $897.0 million we achieved in fiscal 1982. Earnings in Canada before income tax and minority interest were $25.5 million, an increase of 160 percent over fiscal 1983's $9.8 million.

Losses sustained by our operations in the United States however, prevented our overall results from reflecting the full extent of our Canadian upturn. Last year, an aggressive sales program in the United States achieved our highest volume of business to date ($145.6 million in fiscal 1984 compared with $127.1 million in fiscal 1983). These results, unfortunately, were eroded by low profit margins and the United States operations showed a loss before income tax and minority interest of $9.1 million compared with fiscal 1983's $8.6 million loss. These operations will receive top priority from management in the coming year. It is imperative that the United States operations become profitable and add to rather than decrease our Canadian earnings.

Our construction equipment and supplies division distributes more than 50,000 plumbing, heating, electrical, electronic and communications products through 230 locations in Canada and the United States.

In spite of the poor performance of our United States sector the overall results were much improved over fiscal 1983. Revenues totalled $1,008.2 million compared with $913.6 million and earnings before minority interest for fiscal 1984 of $11.1 million were more than double the $4.7 million earned last year; $1.17 per common share versus $0.49. Cash flow increased to $11.1 million from $5.0 million in 1983.



Greater market penetration has been achieved by diversifying our product lines to reflect new developments in the industries that we serve.

The outlook for Westburne's construction equipment and supplies business, particularly in Canada, is bright. We have achieved more complete coverage and greater penetration of available markets by offering more than 50,000 items through 230 locations in North America. In keeping with changing technology, we continue to add new, sophisticated product lines to our present inventory to meet the diverse needs of our customers.

Since year end, we have supplemented our management group by appointing as vice presidents a number of key senior officials from various operating centres across Canada. The expanded management group will meet on a regular basis to formulate revised policies, procedures and controls in order to achieve maximum efficiency of operations and earnings.

With the facilities, product lines, know-how and 3,800 knowledgeable and enthusiastic employees, we are in a good position in fiscal 1985 to expand our share of the growing market.

Management's Discussion and Analysis

Results of Operations

Net earnings increased to $8.8 million in fiscal 1984 from a restated loss of $1.9 million in 1983 and restated earnings of $6.1 million in 1982. The restatement of prior years' earnings is the result of a retroactive change in accounting policy in respect of the Company's oil and gas activities. The Company previously followed a worldwide full cost method with respect to oil and gas activities and, effective for the year ended March 31, 1984, implemented retroactively a change to country-by-country full cost. See Notes 1(e) and 16 of the Notes to Consolidated Financial Statements. Cash flow from operations decreased to $24.7 million from $28.9 million in 1983 and $42.7 million in 1982, due primarily in each case to decreased activity in the petroleum industry services and supplies division.

The increase in earnings in fiscal 1984 is principally attributable to a $10.6 million write down of oil and gas properties in 1983 on restatement to country-by-country full cost. Earnings before restatement increased slightly from last year. Two divisions, the construction equipment and supplies division and the oil and gas division, had significant increases in earnings, which were offset by a decline in earnings in the petroleum industry services and supplies division. See the table showing earnings contributions (before income taxes and minority interest) in the Consolidated Business Segments Information of the Consolidated Financial Statements.

The decline in restated earnings in 1983 was attributable to several factors, the most significant of which were:

1. A sharp decrease in earnings from Canadian operations and increased loss from United States operations in the construction equipment and supplies division;
2. Reduced earnings in the petroleum industry services and supplies division resulting from losses in the Canadian and United States operations;
3. A $2.3 million provision for a loss on an investment in an affiliated company; and
4. The aforesaid $10.6 million write down of oil and gas properties on restatement to country-by-country full cost.

Revenues in fiscal 1984 were $1.15 billion, an increase of 7% from1983, compared with 1983's decrease of 17% from 1982. The construction equipment and supplies division's revenues increased $94.6 million in 1984 due to increases in both Canada and the United States. Westburne's petroleum industry services and supplies division's revenues decreased by $24 million, or 17%, in 1984 which decreases occurred principally in the contract drilling segment. Activity in the United States contract drilling segment continued to decline in 1984 to 27% of Westburne's available rig capacity from 34% in 1983 and 83% in 1982.

Revenues in the international contract drilling operations also continued to decline from $76 million in 1982 to $44 million in 1983 to $19.7 million in 1984. All Westburne's contract drilling operations continue to be affected by the worldwide oversupply of equipment and depressed prices in the contract drilling industry. The oilfield supplies segment revenues increased by 17% in 1984, which is a turnaround from the decreasing revenues of the two prior years.

Cost of sales increased $73 million, or 8%, in fiscal 1984 compared with a decrease of 16% in 1983. In the construction equipment and supplies division, cost of sales increased $80.3 million, an increase of 10.6% on increased revenues of 10.4% for the year. The Canadian and United States contract drilling segment cost of sales decreased $2.4 million on a decrease in revenues of $9.3 million, resulting in a decrease in gross profits of $6.9 million. The reduction in gross profit of $6.9 million is mainly the result of a reduction of contract drilling revenues due to reduced activity and lower prices without a comparable offsetting reduction in cost of sales for the current year. The cost of sales in the international contract drilling segment decreased $16.3 million due to reduced activity but was only a 50.8% reduction compared to a 55.1% reduction in sales for the year. The cost of sales in the oilfields supplies segment increased by approximately 17%, the same as the increase in sales, thereby maintaining gross margins from 1983 but resulting in lower gross margins when compared with 1982.

General and administrative expenses increased $4.5 million in fiscal 1984, an increase of 3% compared to 1983, and in 1983 increased 1.6% compared with

1982. General and administrative expenses increased $5.8 million over 1983 in the construction equipment and supplies division and $1.3 million over 1983 in the oil and gas division. These increases were partially offset by a decrease of more than $2 million in the petroleum industry services and supplies division.

Depreciation and depletion for fiscal 1984 decreased $5.8 million, or 26%, compared to a decrease of 12% the previous year. Depreciation in the petroleum industry services and supplies division is provided on an activity basis on contract drilling equipment so that depreciation has decreased as a result of the decreased activity in the last two years. The aforesaid change in accounting policy in the oil and gas division, effective in 1984, provides for depreciation and depletion on a unit of production method on a country-by-country basis. As a result of higher reserves based on engineering reports dated April 1, 1984, and the lower depletion base as a result of the change in accounting policy, depreciation and depletion on oil and gas properties in 1984 decreased $3.4 million compared with 1983.

Interest expense decreased $7.4 million in fiscal 1984 compared with a decrease of $10.4 million in 1983. The decreases are attributable to reduced borrowings in the construction equipment and supplies division and reduced interest rates through most of both years.

Interest and other income of $4.8 million for fiscal 1984 was comparable to that of the prior year; however, the 1983 amount was reduced by a $2.3 million provision for loss on an investment in an affiliated company. The decrease in interest income in 1984, compared to 1983 before the provision for the loss, resulted from reduced funds available for investment and lower interest rates paid on such investments.

Net earnings for fiscal 1984 are after a provision for income taxes of $4.5 million while in 1983 there was a recovery of $5.4 million in respect of income taxes. The income tax recovery in 1983 does not change as a result of the restatement of earnings. See Note 12 of the Notes to Consolidated Financial Statements which sets forth the details of income taxes payable or recoverable.

Reference is made to Note A of the Supplemental Financial Information to the Consolidated Financial Statements for a reconciliation of the financial data in this Item to United States generally accepted accounting principles and for a discussion of the differences between Canadian and United States generally accepted accounting principles which are applicable to the Company's financial statements.

Financial Condition

Working capital increased to $147.5 million at March 31, 1984 from $142.5 million at March 31, 1983. The current ratio was 1.56 to 1 at March 31, 1984 compared with 1.60 to 1 at March 31, 1983, and the ratio of long-term debt to shareholders' equity was 0.60 to 1 compared with 0.63 to 1 at March 31, 1983, after the reduction in shareholders' equity on the retroactive write down of oil and gas properties to country-by-country full cost.

Long-term debt instruments of certain of the Company's subsidiaries contain covenants which restrict the distribution of funds to the Company by way of dividends, loans or advances. At March 31, 1984, approximately $62,935,000, or approximately 29%, of consolidated net assets were subject to such restrictions. In the opinion of management, these restrictions do not have a material effect on the liquidity of the Company, since all other subsidiaries in the aggregate generate substantial cash flow which can be distributed to the Company.

Inflation and Changing Prices

Virtually all of the revenues and costs of the Company are affected by inflation, and the Company is continually seeking ways to cope with its impact. In general, to the extent permitted by competitive factors, the Company passes on increased costs by gradually increasing sales prices. However, the Company has not prepared a detailed analysis of the effect of inflation on operations and is, therefore, not in a position to quantify the impact of the same. The current value of the Company's oil and gas reserves in place increases as a result of inflation, and the real value of the funds borrowed to acquire or develop these reserves declines on a relative basis during inflationary periods.

Consolidated Balance Sheet

(Thousands of Canadian Dollars)

ASSETS

	March 31, 1984	March 31, 1983 (Restated)
Current assets		
Cash and short-term deposits	**$ 28,672**	$ 13,591
Accounts receivable	**177,514**	175,671
Inventories (Note 1 (d))	**196,022**	174,612
Income taxes recoverable	**—**	6,139
Prepaid expenses and consumable supplies	**8,960**	8,723
Total current assets	**411,168**	378,736
Investments (Note 2)	**13,272**	13,609
Fixed assets, at cost (Notes 1(e), 3 and 16)	**339,549**	331,697
Less accumulated depreciation and depletion	**137,481**	123,956
	202,068	207,741
Other (Note 4)	**4,323**	4,932
Total assets	**$630,831**	$605,018

Signed on behalf of the Board

Director

Director

LIABILITIES

	March 31, 1984	March 31, 1983 (Restated)
Current liabilities		
Bank loans, secured (Notes 5 and 6)	**$106,967**	$ 95,155
Accounts payable	**137,640**	134,227
Income taxes payable	**2,053**	—
Dividends payable	**587**	1,046
Long-term debt due within one year	**16,475**	6,049
Deferred income taxes	**(95)**	(285)
Total current liabilities	**263,627**	236,192
Long-term debt, less amount due within one year (Notes 5 and 7)	**132,489**	135,315
Deferred income taxes	**19,306**	21,979
Minority interest (Note 8)	**9,891**	9,820
Unrealized currency translation loss (Note 1 (c))	**(14,381)**	(12,022)
Total liabilities	**410,932**	391,284

SHAREHOLDERS' EQUITY

	1984	1983
Common shares (Note 9)	**90,589**	90,589
Contributed surplus	**5,326**	5,326
Retained earnings (Note 10)	**123,984**	117,819
Total shareholders' equity	**219,899**	213,734
Total liabilities and shareholders' equity	**$630,831**	$605,018

Consolidated Statement of Earnings

(Thousands of Canadian Dollars except per share data)

	Year Ended March 31,		
	1984	1983 (Restated)	1982 (Restated)
Operating revenues			
Construction equipment and supplies	**$1,008,224**	$ 913,594	$1,040,808
Petroleum industry services and supplies	**116,303**	138,476	231,620
Oil and gas production	**27,593**	25,591	20,453
	1,152,120	1,077,661	1,292,881
Costs and expenses			
Cost of sales			
Construction equipment and supplies	**834,906**	754,606	850,058
Petroleum industry services and supplies	**103,014**	111,232	183,340
Oil and gas exploration and production	**7,926**	7,039	6,352
Depreciation and depletion	**16,791**	22,649	25,756
Selling, general and administrative	**153,853**	149,339	147,010
	1,116,490	1,044,865	1,212,516
Write down of oil and gas properties to country-by-country full cost (Note 16)	**—**	10,624	5,589
Provision for loss on termination of drilling contract in Algeria (Note 15)	**—**	—	14,683
	1,116,490	1,055,489	1,232,788
Earnings from operations	**35,630**	22,172	60,093
Other expenses and revenues (Note 11)	**21,215**	28,816	32,048
Earnings (loss) before income taxes and minority interest	**14,415**	(6,644)	28,045
Income taxes (Note 12)			
Current	**7,341**	(1,157)	18,661
Deferred	**(2,864)**	(4,260)	1,880
	4,477	(5,417)	20,541
Earnings (loss) before minority interest	**9,938**	(1,227)	7,504
Minority interest	**1,116**	686	1,418
Net earnings (loss) for the year	**$ 8,822**	$ (1,913)	$ 6,086
Earnings (loss) per common share	**$0.84**	$(0.18)	$0.58
Common shares outstanding	**10,457,218**	10,457,218	10,457,218

Consolidated Statement of Retained Earnings

(Thousands of Canadian Dollars)

	Year Ended March 31,		
	1984	**1983**	**1982**
		(Restated)	(Restated)
Balance at beginning of year, as restated	**$117,819**	$123,930	$125,194
Add (deduct)			
Net earnings (loss) for the year (Note 16)	**8,822**	(1,913)	6,086
Change of minority interest in subsidiary companies	**(43)**	(15)	(26)
Dividends — common shares	**(2,614)**	(4,183)	(7,324)
Balance at end of year	**$123,984**	$117,819	$123,930

Consolidated Statement of Changes in Financial Position

(Thousands of Canadian Dollars)

	Year Ended March 31,		
	1984	1983 (Restated)	1982 (Restated)
Source of funds			
Earnings (loss) before minority interest	**$ 9,938**	$ (1,227)	$ 7,504
Depreciation and depletion	**16,791**	22,649	25,756
Deferred income taxes	**(2,864)**	(4,260)	1,880
Other	**802**	1,143	1,943
Write down of oil and gas properties to country-by-country full cost (Notes 1(e) and 16)	**—**	10,624	5,589
Funds from operations	**24,667**	28,929	42,672
Long-term debt	**12,016**	79,318	12,566
Sale of fixed assets	**3,086**	2,757	9,331
Issue of share capital	**—**	—	(46)
	39,769	111,004	64,523
Application of funds			
Capital expenditures	**14,204**	23,418	49,542
Reduction in long-term debt (adjusted for foreign currency translation)	**17,201**	18,354	21,739
Dividends — common shares	**2,614**	4,183	7,324
Investments	**(337)**	2,261	5,122
Other	**1,090**	128	2,923
	34,772	48,344	86,650
Increase (decrease) in working capital	**4,997**	62,660	(22,127)
Working capital at beginning of year	**142,544**	79,884	102,011
Working capital at end of year	**$147,541**	$142,544	$ 79,884
Changes in working capital			
Increase (decrease) in:			
Cash and short-term deposits	**$ 15,081**	$ 1,254	$(13,972)
Accounts receivable	**1,843**	(39,392)	(801)
Inventories	**21,410**	(12,816)	12,891
Income taxes recoverable	**(6,139)**	1,897	4,242
Prepaid expenses and consumable supplies	**237**	(5,099)	480
(Increase) decrease in:			
Bank loans	**(11,812)**	91,487	(38,501)
Other payables	**(5,194)**	23,129	15,542
Long-term debt due within one year	**(10,429)**	2,200	(2,008)
Increase (decrease) in working capital	**$ 4,997**	$ 62,660	$(22,127)

Consolidated Business Segments Information

(Thousands of Canadian Dollars)

REVENUE CONTRIBUTION

	Year Ended March 31,				
	1984	**1983**	**1982**	**1981**	**1980**
Construction equipment and supplies					
Canada	**$ 862,609**	$ 786,532	$ 897,026	$ 767,400	$ 689,334
United States	**145,615**	127,062	143,782	128,008	63,450
	1,008,224	913,594	1,040,808	895,408	752,784
Petroleum industry services and supplies					
Contract drilling					
Canada	**24,095**	25,427	31,659	74,589	73,149
United States	**10,572**	18,556	54,557	28,003	20,788
International	**19,754**	43,995	75,981	62,309	32,991
Oilfield supplies	**64,627**	55,245	80,563	103,071	72,492
	119,048	143,223	242,760	267,972	199,420
Oil and gas exploration and production					
Canada	**22,105**	20,602	15,148	15,135	8,081
United States	**5,488**	4,989	5,305	3,168	507
	27,593	25,591	20,453	18,303	8,588
Intersegment items	**(2,745)**	(4,747)	(11,140)	(13,075)	(10,125)
	$1,152,120	$1,077,661	$1,292,881	$1,168,608	$ 950,667

EARNINGS CONTRIBUTION

(Before income taxes and minority interest) (1)

	Year Ended March 31,				
	1984	**1983**	**1982**	**1981**	**1980**
		(Restated)	(Restated)		(Restated)
Construction equipment and supplies					
Canada	**$ 25,508**	$ 9,758	$ 28,558	$ 37,965	$ 33,872
United States	**(9,066)**	(8,602)	(4,402)	(2,510)	1,113
	16,442	1,156	24,156	35,455	34,985
Petroleum industry services and supplies					
Contract drilling					
Canada	**(2,263)**	(1,762)	3,264	15,205	17,693
United States	**(5,384)**	(2,284)	14,602	7,042	4,417
International	**(545)**	7,216	(12,356)	(2,466)	(8,411)
Oilfield supplies	**270**	(578)	4,401	5,489	5,865
	(7,922)	2,592	9,911	25,270	19,564
Oil and gas exploration and production (Note 16)					
Canada	**7,924**	6,581	1,994	1,877	1,693
United States	**(1,906)**	(10,665)	(4,590)	445	(1,149)
International	**(82)**	(4,090)	(3,572)	(610)	(1,752)
	5,936	(8,174)	(6,168)	1,712	(1,208)
Intersegment items	**(41)**	(2,218)	146	240	(390)
	$ 14,415	$ (6,644)	$ 28,045	$ 62,677	$ 52,951

(1) Westburne has allocated interest and corporate general and administrative expenses to industry segments because it believes that this allocation best reflects the decentralized and autonomous management of Westburne.

Consolidated Business Segments Information

ASSETS EMPLOYED

	Year Ended March 31,				
	1984	**1983**	**1982**	**1981**	**1980**
		(Restated)	(Restated)	(Restated)	(Restated)
Construction equipment and supplies					
Canada	**$308,085**	$293,082	$328,072	$298,267	$286,155
United States	**67,484**	55,877	52,874	51,963	38,940
	375,569	348,959	380,946	350,230	325,095
Petroleum industry services and supplies					
Contract drilling					
Canada	**34,449**	34,841	45,358	56,129	36,289
United States	**30,234**	34,294	35,064	26,122	13,453
International	**43,392**	49,186	70,813	78,283	77,301
Oilfield supplies	**23,677**	22,273	20,862	26,912	24,718
	131,752	140,594	172,097	187,446	151,761
Oil and gas exploration and production (Note 16)					
Canada	**93,828**	88,917	85,143	84,260	59,633
United States	**22,774**	20,662	24,750	21,131	10,345
International	**1,537**	1,256	2,258	4,918	4,361
	118,139	110,835	112,151	110,309	74,339
Intersegment and corporate items	**5,371**	4,630	4,463	5,268	4,410
	$630,831	$605,018	$669,657	$653,253	$555,605

CAPITAL EXPENDITURES

	Year Ended March 31,				
	1984	**1983**	**1982**	**1981**	**1980**
Construction equipment and supplies					
Canada	**$ 3,001**	$ 3,490	$ 6,655	$ 7,460	$ 8,098
United States	**256**	1,386	1,483	910	775
	3,257	4,876	8,138	8,370	8,873
Petroleum industry services and supplies					
Contract drilling					
Canada	**1,180**	995	4,359	15,248	11,592
United States	**407**	2,326	17,056	4,973	1,248
International	**248**	706	4,629	2,618	7,401
Oilfield supplies	**150**	130	436	129	141
	1,985	4,157	26,480	22,968	20,382
Oil and gas exploration and production					
Canada	**5,413**	3,981	4,414	6,377	3,599
United States	**3,084**	6,840	9,535	10,775	2,044
International	**461**	3,499	909	1,177	1,380
	8,958	14,320	14,858	18,329	7,023
Intersegment and corporate items	**4**	65	66	146	34
	$ 14,204	$ 23,418	$ 49,542	$ 49,813	$ 36,312

DEPRECIATION AND DEPLETION

	Year Ended March 31,				
	1984	**1983**	**1982**	**1981**	**1980**
Construction equipment and supplies					
Canada	**$ 3,761**	$ 3,564	$ 3,590	$ 3,038	$ 2,882
United States	**405**	336	248	133	35
	4,166	3,900	3,838	3,171	2,917
Petroleum industry services and supplies					
Contract drilling					
Canada	**1,728**	1,663	1,584	4,412	3,748
United States	**1,578**	2,093	3,108	1,193	925
International	**1,192**	3,449	5,969	4,731	2,382
Oilfield supplies	**148**	155	162	104	91
	4,646	7,360	10,823	10,440	7,146
Oil and gas exploration and production					
Canada	**5,359**	6,997	6,594	6,402	1,671
United States	**2,537**	3,237	3,657	1,214	439
International	**—**	1,061	739	610	609
	7,896	11,295	10,990	8,226	2,719
Intersegment and corporate items	**83**	94	105	122	113
	$ 16,791	$ 22,649	$ 25,756	$ 21,959	$ 12,895

Auditors' Report

To the Shareholders
Westburne International Industries Ltd.

We have examined the consolidated balance sheet of Westburne International Industries Ltd. as at March 31, 1984 and 1983 and the consolidated statements of earnings, retained earnings and changes in financial position for each of the three years in the period ended March 31, 1984. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at March 31, 1984 and 1983 and the results of its operations and the changes in its financial position for each of the three years in the period ended March 31, 1984 in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting for oil and gas activities as disclosed in Note 1(e), on a consistent basis.

Calgary, Alberta
May 31, 1984

Touche Ross & Co.
Chartered Accountants

Notes to the Consolidated Financial Statements

March 31, 1984 and 1983

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The statements include the accounts of Westburne International Industries Ltd. ("Westburne") and all subsidiary companies (collectively called for the purposes of these notes, the "Company"). Eliminated on consolidation are 1,237,960 common shares of Westburne owned by subsidiaries and carried at a cost of $2,274,000. All material intercompany transactions have also been eliminated.

b) The Board of Directors has determined that the Company's operations can be divided into three business segments as follows:

i) Wholesale distribution of construction equipment and supplies (plumbing, heating and electrical products).

ii) Petroleum industry services and supplies (contract drilling and oilfield supplies).

iii) Oil and gas exploration and production.

For details, see consolidated business segments information, which is an integral part of these financial statements.

c) Assets and liabilities and income and expenses of the Company which are in currencies other than Canadian dollars are converted into Canadian funds on the following basis:

i) Current assets, current liabilities and long-term debt are converted at exchange rates in effect at the end of the year.

ii) All non-current assets and other liabilities are converted at the rates prevailing when acquired or incurred.

iii) Income and expenses, except depreciation and depletion, are converted at the average rate for the year.

Unrealized foreign currency translation gains/losses are excluded in determining net earnings for the year in which foreign exchange rates change.

d) Inventories are valued at the lower of cost (first-in, first-out) or net realizable value.

e) The Company previously followed the worldwide full cost method of accounting with respect to its oil and gas activities with one pool of assets. Effective for the year ended March 31, 1984, the Company implemented retroactively a change to the country-by-country full cost method of accounting with respect to its oil and gas activities. Costs capitalized continue to include land acquisition costs, geological and geophysical expenditures, costs of drilling productive and non-productive wells and overhead related to exploration and development activities.

Costs capitalized are being depleted on a unit of production method based on estimated proven reserves by country, as determined by independent engineering reports. For purposes of the depletion calculation, natural gas reserves and production are converted to equivalent volumes of crude oil based on the approximate relative energy content of each product where applicable. No depletion is provided on costs capitalized in a country until reserves are proven and production commences in that country. Capitalized costs of leases and permits abandoned in countries with no proven reserves are written off to earnings in the year of abandonment.

Proceeds from disposal of properties are normally deducted from capitalized costs with no recognition of any gain or loss.

The retroactive change in accounting for oil and gas activities has had no effect on assets, earnings and retained earnings prior to April 1, 1979. (See Note 16 for the adjustments to prior years).

f) It is the policy of the Company to depreciate the cost of plant and equipment to its estimated residual value over the estimated useful lives of the assets as follows:

Buildings — at rates of 5% to 10% per annum mainly on a diminishing balance basis.

Drilling rigs — at a rate per drilling day designed to prorate original cost less a residual value of 30% over 3,000 drilling days.

Drill string — straight-line basis related to drilling activity.

Oil production equipment — unit of production country-by-country full cost based on estimated proven recoverable oil and gas reserves.

Other equipment — mainly 20% to 30% per annum on a diminishing balance basis.

Repairs and maintenance and minor expenditures for renewals and betterments are charged directly to earnings. Major renewals and betterments are capitalized and the replaced units retired.

Except for intangible oil and mineral leases and development expenditures in respect of which the country-by-country full cost method is followed, it is the policy of the Company to reduce the property accounts and related accumulated depreciation of the amounts included therein for property sold and any resultant gain or loss is included in earnings.

g) Mobilization and start-up costs incurred on long-term drilling contracts in foreign countries are deferred and amortized over the terms of the contracts.

2. INVESTMENTS

	March 31, 1984	March 31, 1983
Shares, notes and mortgages receivable	**$13,272,000**	$13,212,000
Notes receivable — directors and employees	**—**	397,000
	$13,272,000	$13,609,000

3. FIXED ASSETS

	March 31, 1984		March 31, 1983	
	Cost	Net Book Value	Cost	Net Book Value
			(Restated)	
Land	**$ 4,038,000**	**$ 4,038,000**	$ 3,732,000	$ 3,732,000
Buildings	**29,822,000**	**18,743,000**	29,502,000	19,551,000
Drilling rigs	**93,565,000**	**59,039,000**	94,201,000	61,338,000
Drill string	**21,724,000**	**8,665,000**	22,636,000	9,743,000
Oil production equipment	**20,283,000**	**11,780,000**	18,404,000	10,992,000
Other equipment	**48,261,000**	**19,039,000**	47,333,000	20,857,000
Oil and mineral leases and development expenditures (Note 16)	**121,856,000**	**80,764,000**	115,889,000	81,528,000
	$339,549,000	**$202,068,000**	$331,697,000	$207,741,000

4. OTHER ASSETS

Included in other assets is the unamortized excess of cost of investments in shares of subsidiaries over net assets at date of acquisition amounting to $3,795,000 which arises from the accounting for acquisitions of subsidiaries on a purchase basis.

Management is of the opinion that the amount of $3,258,000 attributed to intangible assets pertaining to subsidiaries acquired prior to April 1, 1974 is of continuing value and accordingly does not contemplate any amortization of this amount. However, in accordance with generally accepted accounting practice, the excess cost of investments in shares of subsidiaries acquired after that date and allocated to intangibles, is being amortized over a period of 40 years.

5. ASSETS PLEDGED

The Company has pledged certain of its accounts receivable as security for bank loans.

6. SHORT-TERM BORROWINGS

The Company has formal arrangements with domestic and foreign banks in respect of short-term borrowings. Details of short-term borrowings follow:

	March 31, 1984	March 31, 1983
Maximum amount of borrowings at any month end during the year	**$117,794,000**	$196,337,000
Average amount of short-term borrowings during the year	**$108,000,000**	$139,353,000
Average interest rate at end of year	**11.80%**	11.95%
Approximate average interest rate during the year	**10.58%**	14.45%

7. LONG-TERM DEBT

	March 31, 1984	March 31, 1983
Senior notes		
9.90% notes repayable in equal annual installments of $3,847,000 U.S. on August 1, each year to 1993 (1984 — $38,459,000 U.S.; 1983 — $42,306,000 U.S.)	**$ 49,093,000**	$ 52,201,000
Bank loans		
Maturing from 1984 to 1992 with interest rates ranging from 10.1% to 13.6%	**89,219,000**	78,833,000
Mortgages, secured debentures, conditional sales contracts, etc.		
Maturing from 1984 to 2005 with interest rates ranging from 7% to 15.5%	**10,652,000**	10,330,000
Total long-term debt	**148,964,000**	141,364,000
Less amount due within one year	**16,475,000**	6,049,000
	$132,489,000	$135,315,000

The aggregate maturities of long-term debt outstanding as at March 31, 1984 for the succeeding five years are as follows:

1985 — $16,475,000
1986 — $16,122,000
1987 — $16,137,000
1988 — $16,110,000
1989 — $15,588,000

The long-term bank loans include a U.S. $15,000,000 (Cdn. $19,145,000) revolving term loan which matures in August, 1985. This loan is renewable annually at the option of the bank. No provision has been made in the long-term debt maturities table for repayment of this loan in the next five years.

8. MINORITY INTEREST

Amounts making up minority interest are as follows:

	March 31, 1984	March 31, 1983
Preferred shares	**$1,419,000**	$1,460,000
Common shares and contributed surplus	**573,000**	602,000
Retained earnings	**7,899,000**	7,758,000
	$9,891,000	$9,820,000

9. SHARE CAPITAL

Westburne is permitted under the Canada Business Corporations Act to issue an unlimited number of first preferred shares, subordinated preferred shares and common shares.

Common shares (1)

	March 31, 1984		March 31, 1983	
	Shares	Amount	Shares	Amount
Issued at beginning and end of year	**10,457,218**	**$90,589,222**	10,457,218	$90,589,222

(1) Exclusive of 1,237,960 shares owned by subsidiaries.

10. RETAINED EARNINGS

Long-term debt agreements impose various restrictions upon the payment of dividends by a subsidiary.

11. OTHER EXPENSES (REVENUES)

	Year Ended March 31,		
	1984	**1983**	**1982**
Other expenses (revenues)			
Interest — long-term debt	**$14,110,000**	$13,073,000	$ 9,288,000
Other interest	**11,945,000**	20,370,000	34,564,000
Interest and other investment income (1)	**(5,063,000)**	(7,204,000)	(9,281,000)
(Gain) loss on assets (2)	**223,000**	2,577,000	(2,523,000)
	$21,215,000	$28,816,000	$32,048,000

(1) Interest and other investment income includes equity share of earnings (loss) of a 50% owned Australian drilling company, Westbridge Drilling Pty. Limited (1984 — ($596,000); 1983 — $169,000; 1982 — $485,000).

(2) The loss on assets in 1983 includes a write down of $2,276,000 on an investment in an affiliated company.

12. INCOME TAXES

Income tax expenses for the three years ended March 31, 1984 have varied from applying Canadian Federal and Provincial tax rates as follows:

	Year Ended March 31,					
	1984		**1983**		**1982**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Average Canadian income tax and rates	**$ 7,063,000**	**49.0**	$(3,256,000)	(49.0)	$13,742,000	49.0
Difference in effective rate on (earnings) losses of foreign subsidiaries	**300,000**	**2.1**	(2,125,000)	(32.0)	8,112,000*	28.9
Provincial tax credits on oil and gas income, capital gains reduction and other	**(2,447,000)**	**(17.0)**	(4,967,000)	(74.7)	(4,239,000)	(15.1)
Inventory inflation allowance	**(2,125,000)**	**(14.7)**	(2,324,000)	(35.0)	(2,111,000)	(7.5)
Write down of oil and gas properties to country-by-country full cost	**—**	**—**	5,206,000	78.4	2,739,000	9.7
Increase due to amortization of excess cost of subsidiary allocated to oil and gas properties	**1,686,000**	**11.7**	2,049,000	30.8	2,298,000	8.2
	$ 4,477,000	**31.1**	$(5,417,000)	(81.5)	$20,541,000	73.2

* Arises as a result of losses on international operations (primarily in Algeria) being non-deductible for income tax purposes.

Deferred income taxes are provided for on timing differences in the recognition of revenues and expenses for income tax and financial statement purposes, primarily relating to depreciation and depletion and to losses of subsidiary companies.

13. COMMITMENTS AND CONTINGENT LIABILITIES

a) The Company has entered into lease agreements for premises and equipment and for various other assets. At March 31, 1984, future total minimum lease payments are:

1985	$ 9,849,000
1986	8,610,000
1987	6,981,000
1988	4,812,000
1989	3,766,000
Thereafter	10,357,000
	$44,375,000

Rent expense for the year ended March 31, 1984 was $9,305,000.

The effect on net income if all non-capitalized financing leases were capitalized would not be significant.

b) Contingent liabilities exist for guarantees and various suits and claims which have arisen in the normal course of business. In the opinion of management of the Company, the outcome of these contingencies will not have a materially adverse effect upon the Company's financial position.

14. PENSION AND RETIREMENT PLANS

The Company has several separate pension plans covering substantially all of its employees. The total pension expense for the plans was: 1984 — $312,000, 1983 — $614,000, 1982 — $1,290,000, 1981 — $1,459,000 and 1980 — $1,482,000. Annually, the Company makes the maximum tax deductible contribution to the plans.

A comparison as at January 1, 1983 of accumulated benefits and net assets for the Company's pension plans is presented below:

Actuarial present value of accumulated plan benefits:

Vested	$34,518,000
Non-vested	1,203,000
	$35,721,000
Net assets available for benefits	$40,022,000

The assumed rate of return used in determining the actuarial present value of vested and non-vested accumulated plan benefits is 7% per annum, compounded annually. Net assets are stated at market value.

15. FOREIGN OPERATIONS

Algeria

The Company began operating in Algeria in 1975, initially on a four year contract with subsequent one and two year extensions. This contract expired on May 29, 1982. The four rigs were released during the period November, 1981 to March, 1982 in order that the rigs could be dismantled, packaged and exported within the contract period as required. In 1982, a provision for loss on termination of $14,683,000 was made to cover costs of termination pay for Algerian nationals, moving costs to port of export and ongoing costs from the time the rigs ceased to operate. This loss on termination was not deductible for income tax purposes. At March 31, 1983, the Company had completed export of the majority of the drilling equipment.

16. CHANGE IN ACCOUNTING POLICY — COUNTRY-BY-COUNTRY FULL COST

The change in accounting policy in respect of oil and gas activities to full cost method country-by-country from full cost method with one worldwide pool of assets required a restatement of oil and gas assets and earnings for the years ended March 31, 1983, 1982, and 1980. If the previous policy had continued to be followed, net earnings for the year ended March 31, 1984 would have decreased by $602,000. The following tables set forth the effect of the changes on fixed assets and earnings as reported in prior years:

a) **Fixed assets**

	(Thousands of Canadian Dollars) March 31,			
	1983	**1982**	**1980**	**Total**
Reduction in oil and mineral leases and development expenditures	**$13,478**	$7,361	$2,627	$23,466
Less accumulated depletion thereon	**2,854**	1,772	87	4,713
Net write down for country-by-country full cost	**$10,624**	$5,589	$2,540	$18,753

b) **Net earnings**

	(Thousands of Canadian Dollars except per share data) Year Ended March 31,		
	1983	**1982**	**1980**
Net earnings previously reported	**$ 8,711**	$11,675	$25,801
Deduct write down of oil and gas properties to country-by-country full cost	**10,624**	5,589	2,540
Net earnings (loss) as restated	**$(1,913)**	$ 6,086	$23,261
Earnings per common share previously reported	**$ 0.83**	$1.12	$3.32
Reduction due to write down of oil and gas properties to country-by-country full cost	**1.01**	0.54	0.33
Earnings (loss) per common share as restated	**$(0.18)**	$0.58	$2.99

Supplemental Financial Information

The following data are provided to comply with certain requirements of the United States Securities and Exchange Commission (SEC):

A. SUMMARY OF DIFFERENCES BETWEEN CANADIAN AND UNITED STATES ACCOUNTING PRINCIPLES (AUDITED)

The Company follows accounting principles generally accepted in Canada and differences exist between those generally accepted in Canada and those applicable in the United States in the following respects:

a) The Company has adopted the country-by-country full cost method of accounting for its oil and gas properties. See Note 1(e) of the Notes to the Consolidated Financial Statements. The country-by-country full cost method of accounting requires a write down of costs when no proven reserves exist in a country and leases and permits are surrendered or when capitalized costs in a country exceed the limitation based on the value of proven reserves. There exists a difference in United States generally accepted accounting principles in calculating the limitation on capitalized costs and a further write down of $2,260,000 would be required for March 31, 1983 in addition to the amount written off as explained in Note 16 of the Notes to the Consolidated Financial Statements.

b) The arm's-length negotiations over the price per share paid for the acquisition of Peyto Oils Ltd. in fiscal 1980 and 1981 resulted in a valuation for oil and gas properties that was substantially higher than the valuation permitted under SEC rules. Pursuant to SEC rules the difference between these valuations was attributed to goodwill instead of fixed assets (oil and gas properties). Such difference is being amortized on a straight-line basis.

c) Under United States generally accepted accounting principles and the provisions of the Financial Accounting Standards Board ("FASB") Statement No. 52, assets and liabilities of foreign operations are translated from foreign currencies at the exchange rate on the balance sheet dates and the unrealized gain or loss is shown as a separate item in the shareholders' equity section of the balance sheet.

d) The Company has recognized future tax reductions resulting from loss carry-forwards incurred by its United States subsidiaries in the construction equipment and supplies business. Under United States generally accepted accounting principles such recognition of future tax reductions is not permitted until the loss carry-forwards are actually realized, unless such realization is assured beyond any reasonable doubt at the time the loss carry-forwards arise.

The effect on the consolidated balance sheet due to differences between accounting principles generally accepted in Canada and those applicable in the United States is summarized as follows:

	As reported under Canadian accounting principles	Increase (decrease)	Under United States accounting principles
March 31, 1984			
Fixed assets including oil and gas properties	**$339,549,000**	**$ (7,426,000)**	**$332,123,000**
Accumulated depreciation and depletion	**137,481,000**	**1,345,000**	**138,826,000**
Other assets	**4,323,000**	**42,000**	**4,365,000**
Goodwill	**—**	**15,281,000**	**15,281,000**
Deferred income taxes	**19,306,000**	**10,858,000**	**30,164,000**
Unrealized foreign currency translation loss	**14,381,000**	**(14,381,000)**	**—**
Unrealized loss on foreign currency translation (separate item in shareholders' equity (FASB No. 52))	**—**	**2,175,000**	**2,175,000**
Retained earnings	**123,984,000**	**(16,512,000)**	**107,472,000**
March 31, 1983 (Restated)			
Fixed assets including oil and gas properties	$331,697,000	$(10,833,000)	$320,864,000
Accumulated depreciation and depletion	123,956,000	833,000	124,789,000
Other assets	4,932,000	122,000	5,054,000
Goodwill	—	16,973,000	16,973,000
Deferred income taxes	21,979,000	6,687,000	28,666,000
Unrealized foreign currency translation loss	12,022,000	(12,022,000)	—
Unrealized loss on foreign currency translation (separate item in shareholders' equity (FASB No. 52))	—	1,722,000	1,722,000
Retained earnings	117,819,000	(11,558,000)	106,261,000

The effect on earnings of the above differences between accounting principles generally accepted in Canada and those applicable in the United States is summarized as follows:

	Year Ended March 31,		
	1984	**1983**	**1982**
		(Restated)	(Restated)
Earnings (loss) — Canadian accounting principles	**$8,822,000**	$ (1,913,000)	$6,086,000
Foreign currency translation (FASB No. 52)	**(783,000)**	(907,000)	(1,704,000)
Country-by-country full cost method	**—**	(2,260,000)	—
Deferred income tax	**(4,171,000)**	(6,687,000)	—
Earnings (loss) — United States accounting principles	**$3,868,000**	$(11,767,000)	$4,382,000
Earnings (loss) per common share — United States accounting principles	**$0.37**	$(1.12)	$0.42

B. LONG-TERM DEBT RESTRICTIONS (AUDITED)

Long-term debt instruments of a subsidiary contain covenants which restrict the distribution of funds to Westburne by way of dividends, loans, or advances. At March 31, 1984, the total net assets subject to restriction were $62,935,000.

C. SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(Thousands of Canadian Dollars except per share data)

	June 30, 1983	**Sept. 30, 1983**	**Dec. 31, 1983**	**Mar. 31, 1984**	**Full year**
Year ended March 31, 1984:					
Operating revenues	$272,690	$301,124	$306,237	$272,069	$1,152,120
Costs and expenses	269,707	294,585	299,478	278,775	1,142,545
Net earnings (loss)	2,341	3,587	4,614	(1,720)	8,822
Cash flow from operations	7,610	8,698	10,787	(2,428)	24,667
Net earnings (loss) per common share	0.22	0.35	0.44	(0.17)	0.84

	June 30, 1982	**Sept. 30, 1982**	**Dec. 31, 1982**	**Mar. 31, 1983**	**Full year**
				(Restated)	(Restated)
Year ended March 31, 1983:					
Operating revenues	$279,082	$268,654	$276,472	$253,453	$1,077,661
Costs and expenses	277,641	268,208	276,918	266,165	1,088,932
Net earnings (loss)	3,336	2,076	2,130	(9,455)	(1,913)
Cash flow from operations	9,904	7,447	7,327	4,251	28,929
Net earnings (loss) per common share	0.32	0.20	0.20	(0.90)	(0.18)

Costs and expenses in the quarter ended March 31, 1983 include a $10,624,000 write down of oil and gas properties to country-by-country full cost.

D. OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

In 1983, the Company adopted the FASB Statement No. 69 "Disclosures About Oil and Gas Producing Activities". The information required by FASB No. 69 is discussed below and detailed in Tables A through F.

The reserve quantity valuation estimates included in the following tables have been based upon reports of McDaniels and Associates Ltd., Lee Keeling and Associates Inc., and Ryder Scott Company Petroleum Engineers.

Estimated quantities of proved developed reserves of crude oil (including natural gas liquids) and natural gas are disclosed net after royalty. Proved reserves are estimated quantities of reserves which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are expected to be recovered from existing wells with existing equipment and operating methods. Values are computed by applying current prices and costs adjusted only for fixed and determinable contractual escalation and for prices established by the Federal/Provincial Energy Pricing and Taxation Agreements. Future net revenues are discounted at a rate of 10%.

The estimated impact of major factors affecting annual changes in proved reserves are described below:

1) "New Field Discoveries and Extensions" represents proved reserves added from drilling exploratory and development wells.

2) "Change in Prices of Oil and Gas, Net of Related Lifting Costs" represents the approximate effect of changes from one period to the next in the prices and lifting costs.

3) "Accretion of Discount" is computed by applying 10% to the standardized measure of discounted net cash flows before income taxes as of the beginning of the year in recognition of the increase resulting from the impact of the passage of time on the discounted cash flow approach to the valuation of the proved reserves.

4) "Provision for Income Taxes" has been calculated using the income tax rates as calculated after making provision for the tax base for oil and gas properties, non-deductible crown royalties and taxes, resource allowance and provincial tax credits.

The Company emphasizes the estimates included in the following tables are by their nature inexact and are subject to changing economic, operating and contractual conditions. Some of the amounts may not agree with amounts reported under similar headings presented elsewhere in the report due to categorization of costs by FASB No. 69. United States reserve values have been converted to Canadian dollar equivalents at rates in effect during the respective reporting periods.

Table A — Estimated quantities of oil and gas reserves

	Canada		United States		Total	
	Oil (bbls.)	Gas (mcf)	Oil (bbls.)	Gas (mcf)	Oil (bbls.)	Gas (mcf)
Proved developed and undeveloped reserves:						
Balance March 31, 1981	5,333,000	40,997,000	262,000	2,554,000	5,595,000	43,551,000
Revision of previous estimates	(335,000)	(8,657,000)	30,000	1,595,000	(305,000)	(7,062,000)
Purchase of reserves	—	—	—	—	—	—
Extensions, discoveries and other additions	9,000	297,000	80,000	181,000	89,000	478,000
Production	(452,000)	(2,033,000)	(101,000)	(583,000)	(553,000)	(2,616,000)
Balance March 31, 1982	4,555,000	30,604,000	271,000	3,747,000	4,826,000	34,351,000
Revision of previous estimates	257,000	4,701,000	23,000	(467,000)	280,000	4,234,000
Purchase of reserves	—	—	—	—	—	—
Extensions discoveries, and other additions	234,000	272,000	10,000	724,000	244,000	996,000
Production	(475,000)	(2,290,000)	(94,000)	(636,000)	(569,000)	(2,926,000)
Balance March 31, 1983	4,571,000	33,287,000	210,000	3,368,000	4,781,000	36,655,000
Revision of previous estimates	744,000	3,761,000	53,000	2,212,000	797,000	5,973,000
Purchase of reserves	—	—	—	—	—	—
Extensions, discoveries and other additions	302,000	2,775,000	184,000	415,000	486,000	3,190,000
Production	(518,000)	(1,759,000)	(69,000)	(723,000)	(587,000)	(2,482,000)
Balance March 31, 1984	**5,099,000**	**38,064,000**	**378,000**	**5,272,000**	**5,477,000**	**43,336,000**
Proved developed reserves:						
Balance March 31, 1981	5,333,000	36,824,000	262,000	2,554,000	5,595,000	39,378,000
Balance March 31, 1982	4,555,000	30,604,000	271,000	3,747,000	4,826,000	34,351,000
Balance March 31, 1983	4,571,000	33,287,000	210,000	3,368,000	4,781,000	36,655,000
Balance March 31, 1984	**5,099,000**	**38,064,000**	**378,000**	**5,272,000**	**5,477,000**	**43,336,000**

Table B — Capitalized costs relating to oil and gas producing activities

	(Thousands of Canadian Dollars)			
	Canada	United States	Other	Total
March 31, 1984				
Proved properties	**$104,538**	**$28,082**	**$ —**	**$132,620**
Unproved properties	**4,895**	**1,826**	**2,798**	**9,519**
	$109,433	**$29,908**	**$2,798**	**$142,139**
Accumulated depreciation and depletion	**$ 39,002**	**$ 9,332**	**$1,261**	**$ 49,595**
March 31, 1983 (Restated)				
Proved properties	$100,310	$24,661	$ —	$124,971
Unproved properties	4,595	2,306	2,421	9,322
	$104,905	$26,967	$2,421	$134,293
Accumulated depreciation and depletion	$ 33,681	$ 6,824	$1,268	$ 41,773

Table C — Costs incurred in oil and gas property acquisition, exploration and development activities

	(Thousands of Canadian Dollars)			
	Canada	United States	Other	Total
Year Ended:				
March 31, 1984				
Capitalized costs incurred:				
Property acquisition costs				
Unproved	**$1,193**	**$ 91**	**$ —**	**$ 1,284**
Proved	**—**	**—**	**—**	**—**
Exploration costs	**1,324**	**1,507**	**461**	**3,292**
Development costs	**2,818**	**1,418**	**—**	**4,236**
	$5,335	**$3,016**	**$ 461**	**$ 8,812**
March 31, 1983 (Restated)				
Capitalized costs incurred:				
Property acquisition costs				
Unproved	$ 450	$ 644	$ —	$ 1,094
Proved	—	—	—	—
Exploration costs	1,391	974	3,499	5,864
Development costs	2,040	5,074	—	7,114
	$3,881	$6,692	$ 3,499	$14,072
March 31, 1982 (Restated)				
Capitalized costs incurred:				
Property acquisition costs				
Unproved	$1,376	$ 976	$ —	$ 2,352
Proved	—	4	—	4
Exploration costs	1,165	3,716	909	5,790
Development costs	1,810	4,757	—	6,567
	$4,351	$9,453	$ 909	$14,713

Table D — Results of operations for producing activities

	(Thousands of Canadian Dollars)			
	Canada	**United States**	**Other**	**Total**
Year Ended:				
March 31, 1984				
Oil and gas sales	**$21,400**	**$ 5,724**	**$ —**	**$27,124**
Production (lifting) costs	**5,831**	**1,561**	**82**	**7,474**
Depreciation and depletion	**5,359**	**2,537**	**—**	**7,896**
Earnings (loss) before income taxes	**10,210**	**1,626**	**(82)**	**11,754**
Income tax expense (recovery)	**2,910**	**(469)**	**—**	**2,441**
Earnings (loss) from producing activities	**$ 7,300**	**$ 2,095**	**$ (82)**	**$ 9,313**
March 31, 1983 (Restated)				
Oil and gas sales	$19,813	$ 5,501	$ —	$25,314
Production (lifting) costs	5,294	1,467	—	6,761
Depreciation and depletion (1)	6,997	10,832	4,090	21,919
Earnings (loss) before income taxes	7,522	(6,798)	(4,090)	(3,366)
Income tax expense (recovery)	1,512	(1,013)	—	499
Earnings (loss) from producing activities	$ 6,010	$(5,785)	$(4,090)	$ (3,865)
March 31, 1982 (Restated)				
Oil and gas sales	$14,331	$ 5,853	$ —	$20,184
Production (lifting) costs	4,675	1,344	—	6,019
Depreciation and depletion (1)	6,595	6,413	3,572	16,580
Earnings (loss) before income taxes	3,061	(1,904)	(3,572)	(2,415)
Income tax expense (recovery)	750	(684)	—	66
Earnings (loss) from producing activities	$ 2,311	$(1,220)	$(3,572)	$ (2,481)

(1) Includes write down of oil and gas properties to country-by-country full cost — 1983 — $10,624,000 and 1982 — $5,589,000.

Table E — Standardized measure of discounted future net cash flows relating to proved ~~oil~~ and gas reserves

	(Thousands of Canadian Dollars)		
	Canada	United States	Total
March 31, 1984			
Future cash inflows	**$239,227**	**$37,630**	**$276,857**
Future costs			
Production	**102,739**	**9,067**	**111,806**
Development costs	**12,624**	**39**	**12,663**
Future net cash flows before income taxes	**123,864**	**28,524**	**152,388**
Future income taxes	**43,792**	**—**	**43,792**
Future net cash flows	**80,072**	**28,524**	**108,596**
10% discount factor	**39,610**	**10,602**	**50,212**
Standardized measure of discounted future net cash flows	**$ 40,462**	**$17,922**	**$ 58,384**
March 31, 1983			
Future cash inflows	$195,251	$21,254	$216,505
Future costs			
Production	81,344	5,542	86,886
Development costs	15,335	135	15,470
Future net cash flows before income taxes	98,572	15,577	114,149
Future income taxes	35,976	—	35,976
Future net cash flows	62,596	15,577	78,173
10% discount factor	32,037	4,631	36,668
Standardized measure of discounted future net cash flows	$ 30,559	$10,946	$ 41,505
March 31, 1982			
Future cash inflows	$202,927	$24,481	$227,408
Future costs			
Production	79,210	4,902	84,112
Development costs	13,832	163	13,995
Future net cash flows before income taxes	109,885	19,416	129,301
Future income taxes	42,558	—	42,558
Future net cash flows	67,327	19,416	86,743
10% discount factor	34,695	7,228	41,923
Standardized measure of discounted future net cash flows	$ 32,632	$12,188	$ 44,820

Table F — Changes in standardized measure of discounted future net cash flow related to proved oil and gas reserves

	(Thousands of Canadian Dollars) Year Ended March 31,		
	1984	1983	1982
Standardized measure before income taxes, beginning of year	**$ 59,205**	$ 65,716	$ 75,028
Revision to reserves proved in prior years			
Revision of quantity estimates	**14,869**	6,067	(7,847)
Change in prices of oil and gas, net of lifting costs	**8,465**	1,000	7,317
Accretion of discount	**5,921**	6,572	7,267
	29,255	13,639	6,737
New field discoveries and extensions, net of future production and development costs	**10,617**	5,396	2,174
Development costs incurred during period which reduced future development costs	**1,343**	1,649	3,211
Purchases of reserves	**—**	—	—
Sales of reserves	**—**	—	—
Production, net of lifting costs	**(19,732)**	(18,553)	(14,165)
Changes in production rates and other	**(177)**	(8,642)	(7,269)
Standardized measure before income taxes	**80,511**	59,205	65,716
Provision for income taxes	**22,127**	17,700	20,896
Standardized measure, end of year	**$ 58,384**	$ 41,505	$ 44,820

Ten Year Summary

(Thousands of Canadian Dollars except per share data)

Year ended March 31	1984	1983 (Restated)	1982 (Restated)
OPERATING			
Operating revenues			
Construction equipment and supplies	**$1,008,224**	$ 913,594	$1,040,808
Petroleum industry services and supplies	**116,303**	138,476	231,620
Oil and gas exploration and production	**27,593**	25,591	20,453
	1,152,120	1,077,661	1,292,881
Net earnings (loss) applicable to common shares	**8,822**	(1,913)	6,086
Per common share outstanding (2) (6)			
Basic earnings (loss)	**0.84**	(0.18)	0.58
Fully diluted earnings (loss)	**0.84**	(0.18)	0.58
Cash flow from operations	**24,667**	28,929	42,672
DIVIDENDS			
Per common share (3)	**$0.25**	$0.40	$0.70
FINANCIAL			
Receivables	**$ 177,514**	$ 175,671	$ 215,063
Inventories	**196,022**	174,612	187,428
Working capital	**147,541**	142,544	79,884
Capital expenditures (4)	**14,204**	23,418	49,542
Fixed assets, net of depreciation and depletion	**202,068**	207,741	220,353
Total assets	**630,831**	605,018	669,657
Long-term debt	**132,489**	135,315	72,658
Redeemable preferred shares	**—**	—	—
Common shareholders' equity	**219,899**	213,734	219,845
Equity per common share (5) (6)	**21.03**	20.44	21.02
Number of common shares outstanding (6)	**10,457,218**	10,457,218	10,457,218

(1) Results of certain prior years have been restated to reflect adjustments to previously reported operating results.
(2) Based on weighted number of common shares outstanding during the year.
(3) Includes $0.625 special dividend in 1979.
(4) Includes acquisition of Peyto Oils Ltd. in 1981 and 1980.
(5) Based on common shares outstanding at year end.
(6) After giving retroactive effect to the 2 for 1 split of the common shares effective August 31, 1979.

1981	1980	1979	1978	1977	1976	1975
(Restated)	(Restated)					
$ 895,408	$ 752,784	$ 426,118	$ 341,222	$ 311,436	$ 274,665	$ 249,273
254,897	189,295	183,140	135,345	105,698	78,353	57,090
18,303	8,588	6,689	6,099	5,361	4,928	4,125
1,168,608	950,667	615,947	482,666	422,495	357,946	310,488
33,044	23,261	23,935	15,943	8,870	8,610	9,317
3.39	2.99	3.14	2.18	1.27	1.30	1.45
3.39	2.99	3.08	2.05	1.14	1.10	1.19
62,801	45,718	41,965	29,059	21,067	20,631	16,729
$0.70	$0.70	$1.00	—	—	—	—
$ 215,864	$ 192,173	$ 132,178	$ 84,954	$ 74,437	$ 64,264	$ 56,423
174,537	159,049	111,523	67,302	62,496	57,031	49,461
102,011	69,861	82,461	35,151	31,296	29,667	31,351
84,539	71,098	21,196	14,563	13,953	43,038	41,105
211,487	161,335	104,068	98,070	99,117	111,857	81,437
653,253	555,605	393,336	290,972	273,284	264,357	213,934
79,898	101,728	86,498	50,793	62,271	84,051	62,390
—	—	—	1,215	1,725	1,952	6,648
221,155	112,919	95,094	77,945	60,986	51,579	40,310
21.15	14.53	12.23	10.53	8.42	7.46	6.47
10,458,818	7,772,440	7,772,440	7,402,808	7,242,608	6,912,658	6,233,034

Directors and Officers

Directors

*S. ABRAMOVITCH,
President,
Westburne International Industries Ltd.,
Montreal, Quebec

†W. M. BOOTH,
President,
‡ Westburne Exploration Inc.
Denver, Colorado

JOHN H. COLEMAN,
President,
J.H.C. Associates Limited
Financial consultants
Toronto, Ontario

* LUCIEN CORNEZ,
Vice Chairman,
Westburne International Industries Ltd.,
Montreal, Quebec

*W. J. CUMMER,
Vice Chairman,
Westburne International Industries Ltd.,
Hamilton, Bermuda

*†F. R. MATTHEWS, Q.C.
Partner of MacKimmie Matthews,
Barristers & Solicitors,
Calgary, Alberta

†J. DONALD MITCHELL,
President,
C. A. Fowler, Bauld and Mitchell Ltd., Architects,
Halifax, Nova Scotia

*P. J. PORTER,
President,
‡Westburne Petroleum Services Ltd.,
Calgary, Alberta

JOSEPH RIMERMAN,
President,
Rayrow Realties Ltd.,
Montreal, Quebec

L. R. ROBERTS,
Vice President — Finance and Treasurer,
Westburne International Industries Ltd.,
Calgary, Alberta

JEAN-PAUL SAILLANT,
President,
‡Saillant Inc.,
Plumbing & heating supplies,
Quebec, Quebec

*J. A. SCRYMGEOUR,
Chairman of the Board,
Westburne International Industries Ltd.,
Hamilton, Bermuda

J. L. THOMPSON,
Senior Vice President,
‡United Westburne Industries Limited,
Hamilton, Ontario

*D. W. WESTCOTT,
President,
‡United Westburne Industries Limited,
Vancouver, British Columbia

*P. D. WILLIAMS,
President,
‡Westburne Petroleum & Minerals Ltd.
Calgary, Alberta

Officers

J. A. SCRYMGEOUR,
Chairman of the Board

LUCIEN CORNEZ,
Vice Chairman of the Board

W. J. CUMMER,
Vice Chairman of the Board

S. ABRAMOVITCH,
President

D. W. WESTCOTT,
Senior Vice President — Equipment and Supplies

P. D. WILLIAMS,
Senior Vice President — Exploration and Production

P. J. PORTER,
Senior Vice President — Petroleum Services

L. R. ROBERTS,
Vice President — Finance and Treasurer

W. J. E. GILLETT,
Vice President — Controller

D. M. GRAVES,
Vice President — Administration

D. B. MUIR,
Secretary

**Member of the Executive Committee*
†Member of the Audit Committee
‡Subsidiary company

Corporate Information

Head Office
535 Seventh Avenue S.W., Calgary, Alberta
Telephone (403) 233-6600

Transfer Agent and Registrar
Montreal Trust Company,
Vancouver, Calgary, Regina, Winnipeg,
Toronto and Montreal

The Royal Bank & Trust Company
New York, N.Y.

Legal Counsel
MacKimmie Matthews, Calgary, Alberta
Dunnington, Bartholow & Miller,
New York, N.Y.

Auditors
Touche Ross & Co.

Stock Exchanges
The Toronto Stock Exchange
The Montreal Stock Exchange
The Alberta Stock Exchange
The American Stock Exchange, Inc.
Ticker Symbol (WBI)

Price Range of Common Shares
Two fiscal years ended March 31, 1984

	Toronto Stock Exchange		American Stock Exchange	
	High	Low	High	Low
	(Canadian Dollars)		(U.S. Dollars)	
1982				
2nd Quarter . . .	17¼	9⅝	14	7⅝
3rd Quarter	12¾	8⅞	10¼	7
4th Quarter	14⅝	10½	12	8⅜
1983				
1st Quarter	17	13	13⅞	10¼
2nd Quarter . . .	18⅝	13⅝	15¾	11¼
3rd Quarter	19¾	16⅞	16⅜	13½
4th Quarter	16⅝	14¼	13¾	10⅜
1984				
1st Quarter	16⅜	13⅞	13½	10⅞

Form 10-K
A copy of the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1984 as filed with the U.S. Securities and Exchange Commission may be obtained without charge by writing to the Secretary of the Company, 300, 535 - 7th Avenue S.W., Calgary, Alberta, Canada, T2P 0Y4.

Annual General Meeting
The Annual General Meeting of Shareholders of Westburne International Industries Ltd. will be held in Calgary, Alberta in the Marquis Room of the Palliser Hotel at 9:30 a.m. August 7, 1984.

WESTBURNE INTERNATIONAL INDUSTRIES LTD.
Annual Report 1984

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WESTBURNE INTERNATIONAL INDUSTRIES LTD.

Second Quarter
September 30, 1984

westburne international industries ltd.
AND SUBSIDIARY COMPANIES

TO OUR SHAREHOLDERS:

Westburne's corporate strategy in the current fiscal year is focused on the expansion of its growth segments. The Company's objectives include increasing its oil and gas reserves and cash flow; increasing the market share of its construction equipment and supplies operations in the United States; and maintaining the viability of its petroleum industry services and supplies division.

Sales and operating revenues for the six months ended September 30, 1984 were $631.3 million compared with $573.8 million for the same period in 1983. Net earnings were $6.5 million compared with $5.9 million in the previous year and earnings per common share were 62 cents compared with 57 cents. Cash flow from operations was $14.7 million in the current period compared with $16.3 million in the same period last year. Earnings and cash flow for the six months include a recovery of $1.7 million for certain assets not exportable on termination of an international drilling contract.

Westburne's construction equipment and supplies business is conducted through a 93 percent owned subsidiary, United Westburne Industries Limited. This division continued its strong performance during the current fiscal period by increasing revenues, in both Canada and the United States, through diversification of product lines to provide such items as high-tech electrical and electronic supplies required in the marketplace, and through improved employee performance as evidenced by the division's growing sales per employee ratio.

United Westburne's most important achievement in the six months ended September 30, 1984, was the turnaround in its plumbing distribution operations in the United States where a near break-even position has now been accomplished. The United States market represents potential not only for plumbing but also electrical and electronic supplies distribution and we are confident that we are now positioned to become an important competitor in both fields in the coming years.

United Westburne provides some 80-90 percent of Westburne's total revenues each year and historically has been a leading earnings contributor. In view of this division's significance to our operations, we are enclosing for your information a copy of United Westburne's six-month financial report.

Contract drilling rig utilization rates have shown improvement in North America during 1984 but low prices paid for these services continue to erode the profitability of our petroleum industry services and supplies operations. Although operating losses are being incurred, these results are in line with forecasts for 1984.

There now appears to be strong indications that the demand for contract drilling services in Canada may improve substantially. The recently elected Progressive Conservative Government has made several positive moves which should bring renewed prosperity to the Canadian petroleum industry. Such steps include increasing the amount of natural gas available for export, allowing Canadian crude oil prices to reach world levels, welcoming new foreign investment in Canadian industry, and re-examining the controversial and discriminatory aspects of the National Energy Program. These steps should be favourable for all segments of the Canadian petroleum industry and, in due course, to Canada's overall economy.

We believe there is now a growing awareness in the United States of the seriousness of their declining oil and gas reserves and the relatively high level of consumption. It is our belief that this should spur higher levels of exploratory and

development drilling by the United States petroleum industry.

Our oil and gas division had an active six months to September 30, 1984, participating in the drilling of 134 wells of which 110 wells were in Canada, 22 in the United States and two overseas. This program resulted in 113 gross producing wells (16 net) for an overall success ratio of 84 percent. In the six months newly discovered oil and gas reserves exceeded production. Included in the wells drilled were four discoveries, the most prominent of which was one at Grande Prairie, Alberta, producing 100 barrels of oil per day (25 percent interest) and another at Glasscock County, Texas, producing 300 barrels of oil per day (12.5 percent interest). Other highlights for this division during the period were:

1) Increases in revenues by 15 percent and cash flow by 19 percent.

2) A $10 million one-year exploration agreement was signed with another Canadian company in the fourth year of a joint venture program.

3) A farm-in agreement on approximately 62,000 acres in Cimarron County in Oklahoma, a high potential oil and gas prone area, was obtained.

Westburne's performance during the first six months of fiscal 1985 reflects the Company's strong corporate goals and the commitment of our employees in achieving these objectives. Westburne is dedicated to improving the level of growth reached thus far in fiscal 1985.

On behalf of the Board of Directors,

J. A. SCRYMGEOUR
November 8, 1984 *Chairman of the Board*

BUSINESS SEGMENTS

(Thousands of Canadian Dollars)

	Six months ended September 30 1984	Six months ended September 30 1983
REVENUE CONTRIBUTION:		
Wholesale distribution of plumbing, heating and electrical supplies		
Canada	$ 480,526	$ 436,211
United States	82,311	74,078
Petroleum industry services and supplies		
Contract drilling		
Canada	9,943	8,630
United States	6,781	3,303
International	5,630	12,680
Oilfield supplies	33,682	27,381
Oil and gas production		
Canada	11,182	9,754
United States	3,234	2,778
Intersegment items	(2,032)	(1,001)
	$ 631,257	$ 573,814
EARNINGS CONTRIBUTION (pre income tax):		
Wholesale distribution of plumbing, heating and electrical supplies		
Canada	$ 12,701	$ 15,898
United States	(152)	$ (1,443)
Petroleum industry services and supplies		
Contract drilling		
Canada	(2,312)	(1,924)
United States	(2,162)	(2,328)
International (Note 3)	101	(95)
Oilfield supplies	345	(250)
Oil and gas production		
Canada	2,757	2,817
United States	19	(856)
International	(4)	(355)
Intersegment items	(66)	(112)
	$ 11,227	$ 11,352

CONDENSED CONSOLIDATED B

as at September 30

(Thousands of Canadian Dollars — exc

ASSETS

CURRENT:

Cash and short term deposits

Accounts receivable

Inventories

Income taxes recoverable

Other

FIXED ASSETS net of depreciation and depletion

OTHER ASSETS

LIABILITIES

CURRENT:

Bank loans

Accounts payable

Long term debt due within one year

LONG TERM DEBT less due within one year

OTHER LIABILITIES

SHAREHOLDERS' EQUITY

COMMON

NUMBER OF COMMON SHARES OUTSTANDING (1)

EQUITY PER COMMON SHARE (1)

(1) After excluding 1,237,960 shares owned by subsidiaries.

WESTBURNE

NCE SHEET

share data)

1984	1983
	(Restated)
$ 14,952	$ 10,726
209,888	201,850
194,431	175,221
–	750
9,539	9,421
428,810	397,968
221,155	203,196
17,184	17,294
$ 667,149	$ 618,458
$ 137,642	$ 109,439
134,793	133,215
16,409	5,913
288,844	248,567
126,054	131,270
25,456	20,568
440,354	400,405
226,795	218,053
$ 667,149	$ 618,458
10,457,218	10,457,218
$ 21.69	$ 20.85

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(Thousands of Canadian Dollars)

	Six months ended September 30	
	1984	1983
WORKING CAPITAL, April 1	$ 147,541	$ 142,544
SOURCE:		
Net earnings before minority interest	7,201	6,716
Depreciation and depletion	8,581	8,984
Deferred income taxes	(1,235)	239
Prepaid contract costs and sundry	112	369
Funds from operations	14,659	16,308
Increase in long term debt	–	1,355
Sale of fixed assets and investments	1,156	2,020
Total	15,815	19,683
APPLICATION:		
Purchase of fixed assets and investments	15,699	5,323
Decrease in long term debt	6,435	5,400
Minority interest	866	215
Dividends on common shares	1,046	1,569
Precontract costs and sundry	(656)	319
Total	23,390	12,826
INCREASE (DECREASE) during the period	(7,575)	6,857
WORKING CAPITAL, September 30	$ 139,966	$ 149,401

NOTES:

1. The Company previously followed the world wide full cost method of accounting with respect to its oil and gas activities with one pool of assets. Effective for the year ended March 31, 1984, the Company implemented retroactively a change to the country-by-country full cost method of accounting with respect to its oil and gas activities. The balance sheet at September 30, 1983 has been restated for this change in accounting for oil and gas activities.

2. Effective April 1, 1984, the Company implemented a change it its foreign currency translation policy in accordance with new recommendations of the Canadian Institute of Chartered Accountants; prior years were not restated under the new policy. The implementation of the change in policy results in long-term assets of self-sustaining foreign subsidiaries being translated at current exchange rates instead of historical rates and this results in the net book value of fixed assets and non current assets increasing by approximately $12,900,000 (99% being fixed assets) and the unrealized loss on translation reducing by the same amount.

3. The insurance recovery included in earnings relates to termination of an international drilling contract.

The above figures are subject to year end adjustment and audit.

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WESTBURNE

CONSOLIDATED STATEMENT OF EARNINGS

(Thousands of Canadian Dollars — except per share data)

Three months ended September 30 1984	Three months ended September 30 1983		Six months ended September 30 1984	Six months ended September 30 1983	Twelve months ended September 30 1984	Twelve months ended September 30 1983 (Restated)
		REVENUE:				
$ 327,305	$ 301,124	Sales and operating revenue	$ 631,257	$ 573,814	$1,209,563	$1,103,739
560	866	Other income	1,619	1,830	4,629	1,915
1,750	–	Insurance recovery (Note 3)	1,750	–	1,750	–
329,615	301,990		634,626	575,644	1,215,942	1,105,654
		COSTS AND EXPENSES:				
270,731	247,366	Cost of sales and services	522,169	471,336	996,679	900,583
4,588	4,292	Depreciation and depletion	8,581	8,984	16,388	20,977
39,476	36,322	Selling, general and administrative	76,790	70,957	159,686	147,495
8,494	6,605	Interest expense	15,859	13,015	28,899	27,696
323,289	294,585		623,399	564,292	1,201,652	1,096,751
-	-	Write down of oil and gas properties to country-by-country full cost	–	–	–	10,624
323,289	294,585		623,399	564,292	1,201,652	1,107,375
6,326	7,405	EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST	11,227	11,352	14,290	(1,721)
		INCOME TAXES				
2,468	3,183	Current	5,261	4,397	8,205	2,613
(693)	191	Deferred	(1,235)	239	(4,338)	(3,995)
1,775	3,374		4,026	4,636	3,867	(1,382)
4,551	4,031	EARNINGS BEFORE MINORITY INTEREST	7,201	6,716	10,423	(339)
363	444	MINORITY INTEREST	726	788	1,054	1,058
$ 4,188	$ 3,587	NET EARNINGS APPLICABLE TO COMMON SHARES	$ 6,475	$ 5,928	$ 9,369	$ (1,397)
$ 0.40	$ 0.35	EARNINGS PER COMMON SHARE	$ 0.62	$ 0.57	$ 0.90	$ (0.13)

The Company's fiscal year ends March 31. The consolidated earnings for the twelve months to September 30 appear for information purposes only.

The above figures are subject to year end adjustment and audit.